

By: Ellis

S.B. No. 1031

A BILL TO BE ENTITLED

AN ACT

relating to requiring the Office of Consumer Credit Commissioner to
conduct a study of certain mortgage lending practices or patterns.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. DEFINITIONS. In this Act:

(1) "Finance commission" means the Finance Commission
of Texas.

(2) "Office" means the Office of Consumer Credit
Commissioner.

SECTION 2. STUDY OF CERTAIN MORTGAGE LENDING PRACTICES OR
PATTERNS. (a) The office shall conduct a study to identify possible
discriminatory lending patterns or practices in the mortgage
lending industry. The study must determine whether there is
race-based or ethnicity-based disparity in mortgage loan denial or
approval rates when comparing applicants with similar income levels
and credit credentials and must also measure the relative size of
and changes over time in any identified disparity.

(b) In conducting the study, the office shall:

(1) collect from entities making mortgage loans data
about mortgage loans using the data formats of the Home Mortgage
Disclosure Act of 1975 (12 U.S.C. Section 2801 et seq.) and other
data fields necessary to identify possible discriminatory lending
patterns or practices;

(2) study and consider parameters that could be used

1 to consistently classify credit risk among mortgage loans for the
2 purpose of assessing possible discriminatory lending practices;

3 (3) for mortgage lenders with higher than average
4 non-approval rates for one or more racial or ethnic groups, examine
5 the extent to which withdrawals of mortgage loan applications by
6 each of those groups may have been the consequence of excessive
7 delay by lenders in processing the applications; and

8 (4) examine whether the marketing policies and
9 programs of entities making mortgage loans affirmatively reach out
10 to minority neighborhoods and communities.

11 SECTION 3. FILING OF CERTAIN LENDING INFORMATION. (a) As
12 determined by the finance commission under Subsection (b) of this
13 section, each mortgage lender in this state shall file with the
14 office:

15 (1) information on the guidelines and formulas used by
16 the lender to underwrite prospective borrowers' loans and any other
17 information relating to the underwriting of mortgage loans as
18 required by the office;

19 (2) information on the automated measures or models
20 used to underwrite loans; and

21 (3) any other information about mortgage loans
22 required by the office for purposes of the study.

23 (b) The finance commission shall determine:

24 (1) the type of information to be included in the
25 filing;

26 (2) the format in which the information is to be
27 submitted; and

1 (3) the date on which the filing is due.

2 SECTION 4. USE OF FILED INFORMATION. Information filed by a
3 mortgage lender with the office under this Act that is confidential
4 under a law that applied to the lender before the effective date of
5 this Act remains confidential and is not subject to disclosure
6 under Chapter 552, Government Code, except that the information may
7 be disclosed as provided by Section 552.008, Government Code,
8 relating to information for legislative purposes. The information
9 may not be released to the public except in summary form in the
10 report required under Section 6 of this Act.

11 SECTION 5. RULES. The finance commission shall adopt rules
12 to implement this Act.

13 SECTION 6. REPORT. The office shall prepare a report
14 detailing the findings and recommendations resulting from the study
15 conducted under this Act, and not later than December 1, 2006, shall
16 deliver the report to the lieutenant governor, the speaker of the
17 house of representatives, and the presiding officers of each of the
18 legislative committees with jurisdiction over lending entities.

19 SECTION 7. EXPIRATION DATE. This Act expires December 1,
20 2007.

21 SECTION 8. EFFECTIVE DATE. This Act takes effect
22 immediately if it receives a vote of two-thirds of all the members
23 elected to each house, as provided by Section 39, Article III, Texas
24 Constitution. If this Act does not receive the vote necessary for
25 immediate effect, this Act takes effect September 1, 2005.